



**SBA Supporting and Encouraging Economic  
 Development Through Entrepreneurship**  
 December 2004



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**The Move is Completed –  
 We Are At Our New  
 Location!**

**We have moved to  
 our new office  
 location at 1350  
 Euclid Avenue, Suite  
 Cleveland, Ohio 44115**



**211,**

We are happy to report that the move went well and that we have begun to settle into our new space. All phone numbers and e-mail are the same.

**A Look at the Impact  
 Jobs! Jobs! Jobs!**

Last year saw the Cleveland District Office make a record number of loans. As we mentioned in our last issue our production was up 28% over last year. What is of importance is the impact of these loans on the local economy.

The loans made totaled \$232,494,494. The number of employees at the firms receiving our loans totaled 14,236. For each employee helped there is a multiplier effect that goes beyond that single job and affects others as well. The total impact of the loans that have been made and the number of jobs that have benefited from those loans is significant. We can all take pride in our contribution to the economy here in Northern Ohio.

**THERE'S A NEW KID  
 IN TOWN ....SBA Lending Off**

*To a Blazing Start in FY '05, with Charter One Bank Leading the Way A review of the first month of our Fiscal Year '05 loan production shows that the demand for SBA guaranteed loans remains at an all time high. The top five banks in the district through the first month are as follows:*

Lender	Number of Loans
Charter One Bank	127
National City Bank	21
Sky Bank	13
U.S. Bancorp	12
Capital One	10

**504 Lending Also  
 Strong**

**504 activity is also running strong.** The following lists 504 loan approval by CDC for the month ending October '05:

**Bank One, Buckeye Community Bank, FirstMerit Bank, Huntington Bank, KeyBank, National City Bank, Western Reserve Bank, and Zions First National Bank have each participated in one 504 project through the first month of FY '05.**

CDC	# of Approvals	Total Debuture Amount
Lake County SBAC	3	\$557,000
Growth Capital Corp	2	\$1,350,000
Cascade Capital Corp	2	\$889,000
Ohio Statewide Development Corp	1	\$354,000

# Highlights of the 05 Budget

*For additional information please contact John Hogan at [john.hogan@sba.gov](mailto:john.hogan@sba.gov) or by phone at 216-522-4180 Ex 222.*

## **Section 7(a) Business Loan program:**

- FY 2005 program level: \$16 billion,
- Provides no appropriated funds for the program (consistent with the zero percent subsidy rate),
- Makes the 7(a) Express Loan Program permanent for loans up to \$350,000,
- Increases the 7(a) maximum guarantee portion from \$1 million to \$1.5 million,
- Establishes an additional 0.25 percent 7(a) guarantee fee on the guaranteed portion of a loan over \$1 million.

## **Section 504 Certified Development Company business loan program:**

- FY 2005 program level of \$5 billion,
- Makes SBA's authority to charge fees for the 504 program permanent,
- Increases maximum 504 debenture size to:
  - \$1.5 million for regular loans
  - \$2 million for public policy loans
  - \$4 million for small manufacturer loans
- Adds specific statutory job creation/retention requirements for 504 loans:
  - \$50,000 for regular loans
  - \$75,000 for public policy loans
  - \$100,000 for manufacturing loans

- Authorizes SBA to adjust requirements via regulations.

## **International Trade/Section 7(a):**

- Increases loan limits from \$1.25 million and \$750,000, to \$1.75 million and \$1.25 million, respectively.

## **HUBZones:**

- Allows 8(a)-certified firms to participate in state programs that are funded by the Federal government without requiring additional certification.

# ATTENTION MICROENTERPRISES IN SEARCH OF MICROLOANS: CALL WECO!

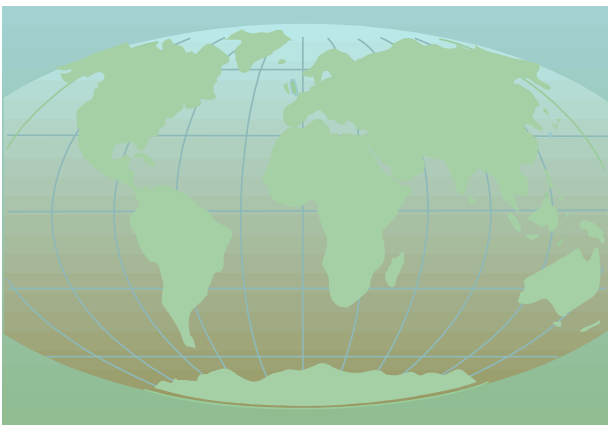
Looking for a bright spot in Northeast Ohio's economic landscape? Then look at WECO Fund Inc.'s Microenterprise Program! Over the past two years WECO has loaned almost half a million dollars, and provided direct technical assistance to twenty-five (25) entrepreneurs who were starting or expanding their businesses, creating and sustaining over 80 new jobs in Cuyahoga County! WECO has also assisted hundreds of other entrepreneurs in their businesses through our training programs.

Founded over thirty (30) years ago, WECO Fund Inc. strives to assist low- to moderate-income individuals to create wealth for themselves, either by helping them with their personal financial situations, or by assisting

them to start or grow their own businesses. The WECO Microenterprise Program manages three separate loan funds. The first fund was provided by the Ohio Department of Development. The Ohio DOD fund was followed by a consortium of private monies provided by Fifth Third Bank, KeyBank, and National City Bank. The third fund came from the U.S. Small Business Administration (SBA). WECO Fund Inc. is the only SBA microlender in Cuyahoga County. WECO provides microloans in amounts from \$500 to \$35,000, with flexible and affordable terms and interest rates to entrepreneurs who do not have access to traditional capital markets.

To contact WECO, please call (216) 881-9650.

## **Success Story: GOING GLOBAL IN TUSCARAWAS COUNTY**



The concept of the global economy has become well understood here in the United States over the past decade. In order to thrive in today's economy, many small businesses buy and sell products throughout the world, but that was not the case 30 years ago. The late John L. Fearon and his son, Alfred, were well ahead of the curve when they started the Ohio Import Company back in 1968 in small

town America Tuscarawas County, Ohio, of all places!

Ohio Import Company has eventually evolved into OIC International, and it continues to grow under the guidance of now sole-owner Alfred J. Fearon. OIC manufactures and imports floral and craft supplies for sale to wholesalers and retailers throughout North America, South America, Europe and Asia. OIC's products include flower, fruit and gift baskets, floral and craft wire, wreath adornments, PVC shrink films, and even plush toys.

Alfred and his father started the business without any formal international business training, relying on trial and error to find their way, but their method has proven successful. Success, however, did not come without its challenges. Without prior international business experience, Alfred had to do much homework to identify quality suppliers, learn customs regulations and price negotiations, and understand international letters of credit and the logistics involved with importing and exporting. This took much time and commitment. "I was growing a business at a time when my wife and I were starting our family," states Mr. Fearon. "It was many years of working 7 days a week, 10 to 14 hour days and still trying to find time to spend with my family."

In addition, financing opportunities for start-up ventures were very limited in 1968, especially for a business seeking to import and export product. This lack of capital severely slowed OIC's growth. OIC essentially financed itself on a sale by sale basis. "It was a commitment and a struggle to reinvest every available dollar back into the business," stated Mr. Fearon.

His patience, however, has paid dividends. Today, OIC has 10 full time employees, owns

and operates office showrooms and warehouse facilities in both Bolivar and Strasburg, Ohio, and leases office, warehouse, and/or showroom space in other parts of Tuscarawas County, Ohio, Shenzhen, China and Dallas, Texas. Its success has made it easier for OIC to access the capital required for expansion, but the U.S. Small Business Administration (SBA) has also helped the company out in this area.

SBA has provided loan assistance to OIC on several occasions. In 1998, OIC tapped into SBA's 504 program to help finance the construction of a new distribution center. Then, in 2002, the 504 program helped OIC finance an expansion of the center and the addition of state of the art showrooms and offices. "With the financial assistance and advice we received from SBA, we were able to retain jobs and add new jobs," states Mr. Fearon. "The availability of SBA financing allowed us to expand our office and warehouse facilities in time to take advantage of current favorable interest rates and economic conditions."

Alfred attributes OIC's success to his hard-working, dedicated employees. OIC also strives to treat its suppliers with as much respect and courtesy as it does its customers. But OIC's ability to build a loyal customer base starts with the excellent service it provides. "When you go the extra mile for a customer to make things happen the rewards are many," states Mr. Fearon. "This is how we like to treat customers, large and small, when given the chance."

OIC International encountered success in a global economy long before it became common place amongst small business owners, and Al Fearon has plans for future expansion. He had the vision in 1968 to go global, and it continues to pay dividends!

## Report Outlines State of Small Business

### ***The Small Business Economy, 2004* Is Latest In Annual Series**

The Office of Advocacy of the U.S. Small Business Administration today unveiled a major new federal government report, *The Small Business Economy, 2004*, which outlines the state of small business and its contributions to the economy. This latest in an annual series analyzes 2003 data.



"In 2003, the overall economic indicators improved as the economy gained momentum," said Office of Advocacy Chief Economist Dr. Chad Moutray. "Small businesses led the way."

The comprehensive report examines the role small business plays in the economy. It focuses on economic trends and indicators, regulatory issues at the federal, state, and local levels, innovation and technology transfer, as well as federal government procurement and small business financing data.

Among the report's highlights:

- In the second half of 2003, consumer and business confidence returned and the economy shifted into higher gear. Real gross domestic product increased at an annual rate of 8.2 percent in the fourth quarter and the number of employer firms increased by 0.3 percent over the year. The number of unincorporated self-employed increased by 3.7 percent during the year as well.
- Home-based businesses make up 53 percent of the small business population and serve as incubators for many growing businesses. Home-based businesses face a unique regulatory environment that can restrain their expansion and growth. Notable regulatory barriers include complex IRS rules on home office deductions and the complicated test for determining independent contractor status.

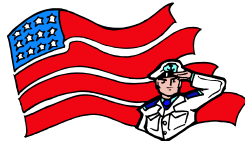
Moreover, local zoning laws may also discriminate against home-based businesses.

- Some of America's best-known companies are university spin-offs. Current research suggests that university spin-offs can have a dramatic effect on the economy of a region. These effects have been enhanced by government policies such as the Bayh-Dole Act, which gave universities the rights to inventions derived from federally funded research.

## ***Veterans Have Entrepreneurial Spirit, Study Shows***

### ***New Study Provides Wealth Of Data On Veterans' Business Ownership***

American veterans have a strong entrepreneurial spirit, according to a study released today by the Office of Advocacy. The study, *Entrepreneurship and Business Ownership In the Veteran Population*, shows that 22 percent of veterans are either purchasing or starting a new business, or considering purchasing or starting one.



"Veterans are playing a significant role in our economy," said Thomas M. Sullivan, Chief Counsel for Advocacy. "This study presents a wealth of new data that will help policy makers to understand that role and develop policies that continue to encourage veterans' entrepreneurship."

The Veterans Entrepreneurship and Small Business Development Act of 1999 called for this study. It required the SBA's Office of Advocacy to develop information on programs designed to assist small businesses owned and controlled by veterans and service-disabled veterans.

The study's findings include:

- More than one-third of both "new veteran-entrepreneurs" and current veteran business-owners had gained skills from their active duty service that were directly relevant to business ownership.
- Prior business ownership and employment experience had a positive impact on an even higher percentage of both "new veteran-entrepreneurs" and current veteran business-owners than did military experience.
- A focus on addressing the challenges of home-based business ownership and Internet use in veteran-owned businesses would be useful.

The Office of Advocacy, the "small business watchdog" of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

For the complete report and data tables, visit [www.sba.gov/advo](http://www.sba.gov/advo).

## ***Small Business Economic Conditions***



## ***Continue Improvement In Third Quarter***



### ***GDP Growth Of 3.7 Percent Marks Twelfth Consecutive Quarterly Increase***

5.4 percent in September, its lowest level since October 2001

Economic conditions for small business continued to improve in the third quarter of 2004 according to the recently released *Quarterly Indicators: The Economy And Small Business*. The report, issued by the Office of Advocacy, shows real gross domestic product (GDP) up 3.7 percent, the twelfth consecutive quarterly increase.

“The economic conditions faced by small business are getting better and better,” said Dr. Chad Moutray, Chief Economist for Advocacy. “More than 300,000 new jobs were created in the third quarter. Since most new jobs are created by small business, this signals continued growth for small firms in the months to come.”

This third in a new series of quarterly reports uses a variety of sources to track current economic conditions for small business. A number of indicators are showing signs of positive change. Between the third quarters of 2003 and 2004, industrial production, real gross private fixed investment, and real exports all increased substantially. Growth in each indicator was up from the growth over the same period in 2002-2003.

Over the first three quarters of the year, the net percentage of small business owners planning to expand employment was at its highest annual level since 2000, at 14.7 percent—meaning that 14.7 percent more owners plan to hire than plan to cut back on employment. The unemployment rate fell to